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SUBJECT: ASEAN TRADE MINISTERS TACKLE TARIFFS

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¶1. (U) Despite the postponement of the Association of Southeast Asian Nations (ASEAN) Leaders' Summit, ASEAN trade ministers on December 8 succeeded in signing six agreements intended to expand economic integration in the region. Four focus on enhancing intra-ASEAN trade and two agreements deepen the ASEAN-China trade relationship.

¶2. (SBU) According to Department of Trade and Industry (DTI) Bureau of International Trade Relations Director Ramon Kabigting, ASEAN aspires to be a common market in 11 priority sectors: electronics, information technology, rubber-based products, textiles and apparel, agro-based products, fisheries, air travel, and tourism. In their meetings in Cebu, the trade ministers also added a twelfth priority sector, logistics, at the behest of the Philippines, which aims to be a East Asian hub for trans-pacific shipments.

¶3. (U) The four intra-ASEAN agreements include an agreement to allow for the mutual recognition of nursing credentials, commitments to lower barriers on the services trade, and two additional agreements relating to the elimination of tariffs and non-tariff barriers. According to Kabigting, the ministers approved the fast-tracked elimination of tariffs on a number of products in priority integration sectors beginning January 1, 2007. This is three years ahead of the original deadline. The "downstream electronics" sector was, however, exempted for three years from this measure, including appliances such as washing machines and air-conditioners. The fourth intra-ASEAN agreement concerns the elimination of non-tariff trade barriers, including anti-dumping measures, countervailing duties, import restrictions, and quotas. Brunei, Indonesia, Malaysia, Singapore, and Thailand will eliminate non-tariff trade barriers in stages from 2008 to 2010. The Philippines is not required to begin eliminating non-tariff trade barriers until 2010.

¶4. (SBU) Two of the six agreements promote the ASEAN-China Free Trade Area. The first is a protocol in which the Philippines joins the "early harvest program" of tariff cuts. The second agreement, between China and Vietnam, dealt with trade concessions. A services trade component of the ASEAN-China free trade deal was postponed at the request of Chinese officials, who wanted the signing witnessed by ASEAN's and China's heads of government. Department of Foreign Affairs' North Asia Division Director Daniel Espiritu confirmed that Chinese Premier Wen Jiabao had postponed his December 14 visit to Manila and will likely reschedule for mid-January 2007, which would allow him to participate in the ASEAN-China Summit on January 13, the ASEAN 3 Summit on

January 14, and the East Asia Summit on January 14, if all participants agree on these dates.

KENNEY